



# What employers want from **direct provider health plan contracts**

---

150 Executives on their awareness, engagement, perceived value and future plans for Direct Provider Contracting.

BRIGHTON   
**healthplan**  
SOLUTIONS

 **HR DIVE**

Custom content for Brighton Health Plan Solutions, LLC by studioid



**F**acing a projected 8.5% spike in health care costs for 2024 — as well as employee demands for better coverage — many companies are exploring alternatives to traditional health plans, such as contracting directly with a network of providers. This strategy, known as direct contracting, is where employers — usually self-funded ones — turn directly to provider organizations to wholly or partially comprise their health plan network.

In the past several years, direct contracting has become an increasingly attractive option. But now that medical inflation has soared to the rate it has, perhaps even more employers may be ready to make a move.

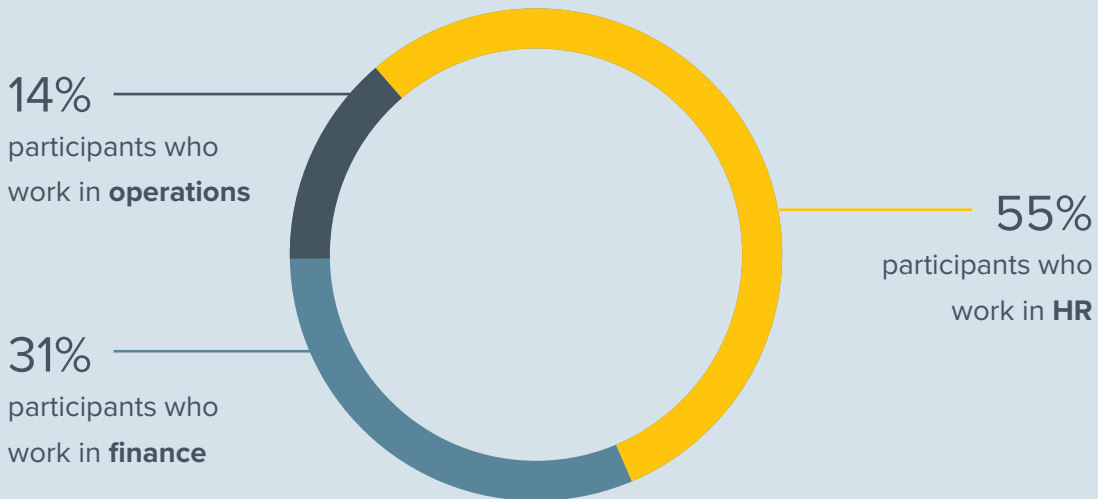
That's according to a survey from Brighton Health Plan Solutions, LLC, and HR Dive's studioID that polled 150 benefits leaders (88% of whom were self-funded or considering self-funding in the future) on their appetite for direct provider arrangements. In the survey, a large majority — 75% — reported that they are already engaged in direct contracting. Among those not yet involved in direct provider contracting, 41% said they were likely to consider direct contracts by 2025.

The findings point to new opportunities for integrated health systems, primary care networks and other provider organizations looking to capitalize on employer interest in direct plans. Inside this report, we'll explore what HR leaders said they wanted from direct contracts and how provider organizations can respond to capture what's becoming an increasingly favorable market for direct employer-provider relationships.



**ABOUT THE SURVEY**

# 150 Participants Across Retail, Services, Construction, Technology and Other Industries



currently self-funded **64%**

considering self-funding for the future **24%**

not considering self-funding **11%**

not sure **1%**

1,000 to 4,999 benefit-eligible employees **58%**

5,000 to 9,999 benefit-eligible employees **23%**

10,000 or more benefit-eligible employees **19%**



## FINDING

# There's a lot of existing engagement and perceived value in direct provider contracting, with plans for much more.

In the survey, we asked respondents if they were currently — or planned to be — involved in direct contract relationships. We defined direct provider contracting as follows:

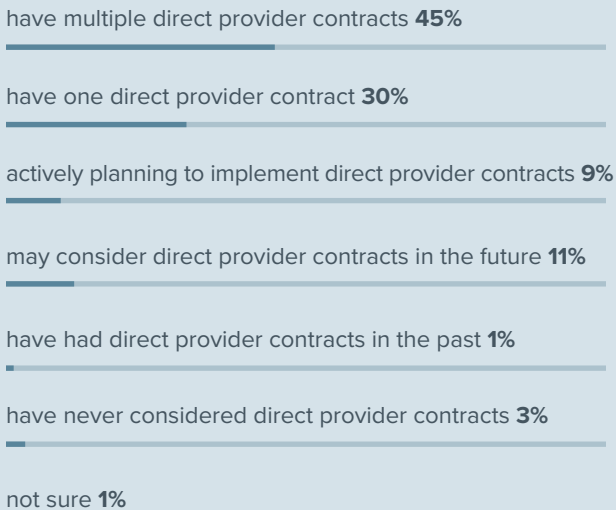
**“Direct provider contracting is a strategy in which self-insured organizations partner directly with health systems or provider groups for health plan services. Direct contracting arrangements guide at least some of the employees’ care to the directly contracted entity, often through tiered network or tiered benefits design.”**

By and large, employer respondents of our survey said they engaged in direct provider contracting — with more than 4 in 10 reporting multiple direct provider contracts. Even if these relationships aren't a current part of employers' benefit models, they might be in the future: 41% of those not already engaged in direct contracts said they'd be very or extremely likely to consider direct provider contracting by 2025.

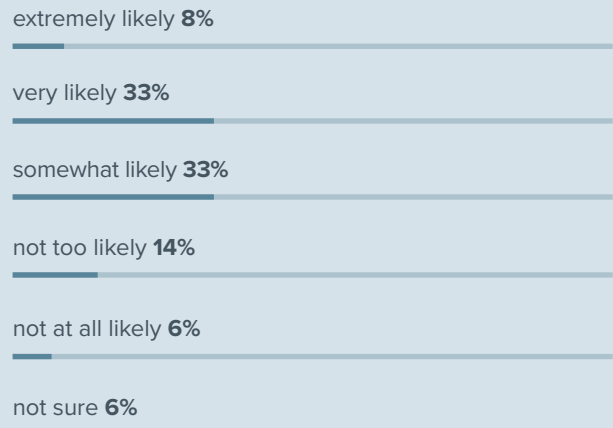
“These results are somewhat surprising and certainly suggest a wider interest in direct contracting than previously understood by the market.”

**Michelle Zettergren**, chief sales and marketing officer for Brighton Health Plan Solutions

### By the Numbers: Direct Provider Contracting Among Employers



### What is the likelihood that your organization will consider a direct contracting relationship in the next two years?



## Employers' Perceived Benefits of Direct Provider Contracting\*

Enhancing benefits **49%**

---

Controlling rising health care costs **47%**

---

Improving overall member health and quality of care **37%**

---

Improving care coordination **33%**

---

Increasing member satisfaction **28%**

---

Helping members find high-quality providers **24%**

---

Improving access to providers **21%**

---

Reducing fragmentation in care **19%**

---

Eliminating unnecessary tests and procedures **15%**

---

Engaging members in health and wellness initiatives **13%**

---

\*percentages of respondents who marked these among their top 3

This indicates an already palatable market for direct provider contracting, if provider organizations can deliver on employers' needs and expectations. And what those employers want, according to respondents, is not just about cost. In fact, they care more about improved benefits.

When we asked respondents what they considered the best outcomes of a direct provider contracting relationship, 49% cited enhanced benefits, closely trailed by cost control at 47%. This comes as employers continue to navigate a competitive labor market and pressure to attract and retain their people.



Another expectation employers may have is the type of provider organization they're inclined to partner with — which is often with primary care networks and integrated health systems.

Such sites were common entry points in direct provider relationships, according to survey respondents. Among those currently or previously engaged in direct provider contracting, 74% contracted with primary care networks, followed by integrated health systems (69%), near-site/offsite clinics (30%) and Centers of Excellence (27%).

Regardless of the type of provider organization, Zettergren's advice: evaluate your primary care network.

“This study shows that multi-site integrated health systems with primary care networks should explore direct contracting if they haven't already,” Zettergren said. “And if they are new to direct contracting, a third-party administrator like Brighton will help them first address their primary care gaps to enhance their competitiveness in the employer market.”

By addressing employers' demands for cost reduction and benefit enhancement along with shared savings modeling and seamless implementation (see page 8), provider organizations can improve their competitiveness when pursuing these relationships.





## FINDING

# Employers are familiar with the dynamics of direct provider contracts, but they're interested in learning more.

With 75% of our survey sample reporting they're already involved in direct provider contracts, it's little surprise that benefits executives reported a similarly high level of confidence in their knowledge of these arrangements: 74% of all respondents said they were extremely or very knowledgeable in direct provider contracts.

And yet, most organizations are open to more communication about these models. Roughly 4 in 10 (39%) employers said they were extremely interested in learning more about direct contracting and how it might benefit their organizations.

Provider organizations already in the direct-to-employer market and those considering entering the market have a significant opportunity to seize on employer interest with intentional marketing and outreach directly to employers. But as it stands, they may fall short in doing so.

Just 39% of all respondents said health systems and provider groups had discussed direct contracting directly with them.

Perhaps more astonishingly, among those employers who said they might consider direct provider contracts in the future, just 31% had said health systems and provider groups had discussed direct contracting with them. The remaining 69% represents an entire market of interested buyers who aren't being engaged in active discussions.

This represents the need for health systems and provider groups to dial up their outreach and approach those targets with more direct messaging, as well as the need for engaging third-party administrators (TPAs) that have experience in direct contracting to help jump-start those conversations.

**39%**

of respondents said **health systems and provider groups** had discussed direct contracting with them, versus

**47%**

of respondents who said **TPAs** had discussed direct contracting with them.

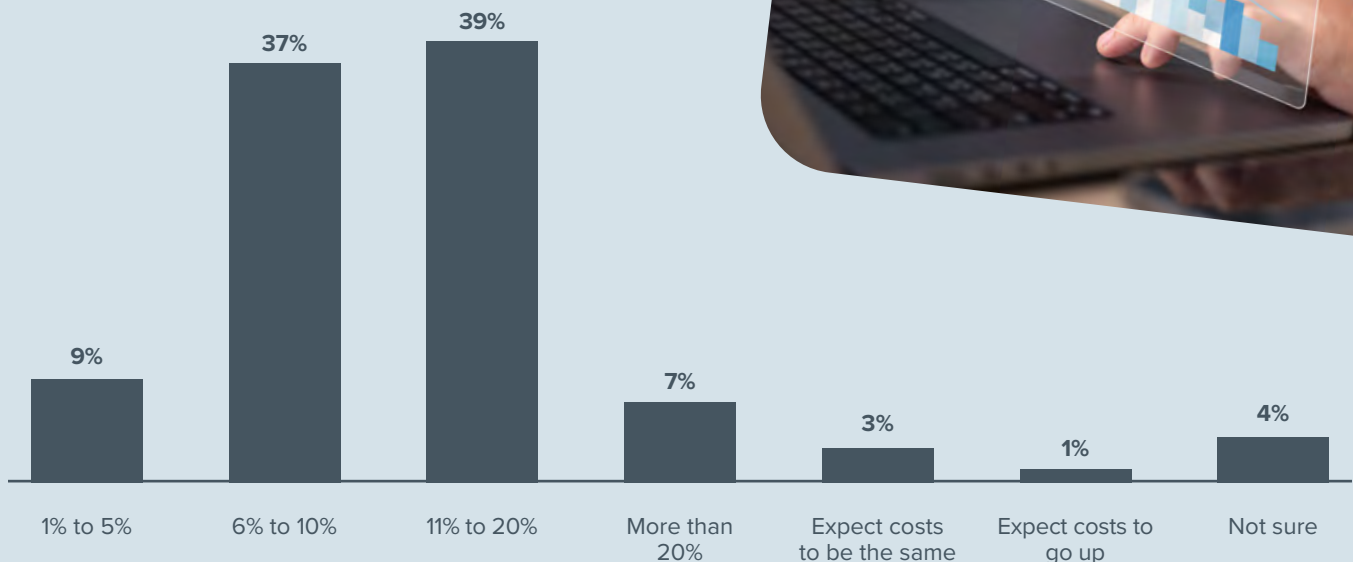
## FINDING

# Direct plans with reputable health care provider organizations that can deliver a 6% to 20% cost reduction, shared savings modeling and seamless implementation are the most sought-after.

Cost control may fall behind better benefits as the top perceived advantage of direct contracting, but it's still quite important. According to the survey, most employers (76%) said they expected to see actual cost savings of 6% to 20% with a direct contracting relationship compared with a traditional health insurance plan.

As far as shared-risk or value-based contracting arrangements, employers are evaluating several criteria when assessing potential relationships — with shared savings (63%), provider/health care incentives (57%), shared risk (56%) and quality metrics (55%) all seeing significant interest.

How much actual cost savings would you expect to see with a direct contracting relationship compared with a traditional health insurance plan for your organization?

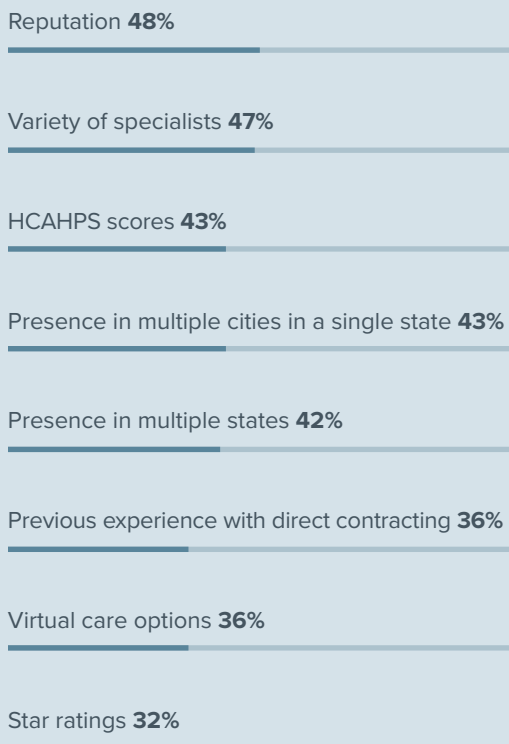




“Employers want to save on their current costs, and they’re open to partnering with provider organizations who can offer shared savings arrangements,” Zettergren said. “To generate savings for employers in both the short-and long-term, provider organizations should assess their unit costs and explore what medical management programs they may need to implement.”

But one important consideration for provider organizations, Zettergren cautioned, is value-based benefit design.

### What do employers consider “extremely important” when considering a contract with a health care provider organization?



“Value-based benefit designs require data and information transparency,” she said. “Is your provider organization prepared to set up quality metrics, incentives and benchmarks specific to each employer?”

Fortunately, 39% of employer respondents reported an interest in multiyear arrangements, enabling that long-term approach. But what these insights do emphasize is the need for flexibility in provider reimbursement models. Additionally, engaging an experienced TPA that has direct experience administering a provider network and designing custom solutions to support different reimbursement considerations and broker discussions with employers can make all the difference.

Beyond these cost- and risk-associated criteria, what else do employers want to see from provider organizations? And more to the point: What messaging should provider organizations focus on when they approach potential employer partners? Well, reputation, expertise, patient experience and geographic footprint — but not necessarily direct provider contracting know-how.

Roughly half (48%) of executives cited the provider’s reputation as extremely important when their organizations consider contracts with provider organizations, followed by a variety of specialists (47%), HCAHPS scores (43%) and presence in multiple cities in a single state (43%).

“Previous experience with direct contracting” appeared further down the list at 36%, indicating the potential for all interested health care provider organizations to explore this as an option — even if it’s their first time doing so.



Although health care provider organizations don't necessarily need experience in direct contracting, they do need to ensure implementing those contracts is seamless and straightforward. When considering a new provider network strategy, the most important factors considered included the ease of implementation (50%), ease of managing new solutions/vendors (47%) and ease of communicating changes to employees (44%).

This emphasizes the importance of working with partners like Brighton Health Plan Solutions to streamline that process, Zettergren added.

“Employers and provider organizations hold high expectations, as they should, particularly when they are transitioning their members to a direct contract. Implementation, service quality and reporting must be impeccable,” Zettergren said. “In fact, in Brighton’s experience, our direct contracting partners expect the type of provider-branded, flexible, packaged third-party administration experience we can provide, which can be implemented within a relatively short timeframe.”

### When considering a new provider network strategy, respondents marked these as most important:\*

Ease of implementing new solutions/vendors tied to the new strategy **50%**

Ease of managing new solutions/vendors tied to the new strategy long-term **47%**

Ease of communicating changes to employees/gaining their acceptance **44%**

Changes in cost share for members **38%**

Availability of internal resources to maintain the strategy long-term **37%**

Changes in costs and fees for employers **35%**

Availability of internal resources to initially establish the strategy **31%**

Buy-in from company leadership for the need for change **9%**

Not sure **3%**

\*percentages of respondents who marked these among their top 3

# Approach the Negotiation Table With More Confidence

---

As employers navigate rising costs alongside growing pressure to improve their benefits programs, direct provider contracting is taking off as an attractive idea — and according to our survey, the majority of employers are already in these relationships or at least considering them.

“Integrated health systems should definitely be thinking about direct contracting, especially in light of these findings,” Zettergren said. “It’s an additional revenue stream outside of traditional-fee-for-service reimbursement models, demonstrates their commitment to value-based care and innovation and allows them to improve health outcomes and the patient experience across the full continuum of care. Not to mention direct contracting reduces dependence on traditional insurance carriers.”

If you’re a health care provider organization looking to be a part of that expanding trend, there’s a lot to consider, from meeting employers’ expectations around care quality, type and cost control to facilitating a more seamless contract implementation experience. There’s also a big opportunity to promote your direct provider contracting solution, given that employers aren’t currently hearing about these options from provider organizations directly.

We can help with it all. Learn how Brighton Health Plan Solutions can initiate, support and sustain more successful direct to employer partnerships at [brightonhps.com](https://brightonhps.com).







## About Brighton Health Plan Solutions, LLC

[Brighton Health Plan Solutions, LLC](#) (Brighton HPS) is a national healthcare enablement company and third-party administrator at the forefront of innovation in the self-funded market. Brighton HPS offers over three decades of network administration experience, direct contracting expertise, unmatched administrative flexibility, customizable network solutions, comprehensive casualty solutions, a plug-and-play architecture and an award-winning technology platform highly adaptable to unique client needs. In collaboration with clients, providers and partners, Brighton HPS is proudly redefining the health plan experience for more than 1 million members across the US. For more information, visit [brightonhps.com](#).

[LEARN MORE](#)

# studio / **ID**

## **BY INDUSTRY DIVE**

studioID is Industry Dive's global content studio offering brands an ROI rich tool kit: Deep industry expertise, first-party audience insights, an editorial approach to brand storytelling, and targeted distribution capabilities. Our trusted in-house content marketers help brands power insights-fueled content programs that nurture prospects and customers from discovery through to purchase, connecting brand to demand.

**LEARN MORE**